

# ICPS newsletter®

## Consumer confidence: optimists and pessimists balance each other out

***In Ukraine, the March 2004 Consumer Confidence Index (CCI) reached 100.1, 0.7 points higher than the previous result, in the December 2003 survey. The main factor behind improving consumer confidence was an increase in positive expectations regarding the country's economic development. The highest CCIs were observed in Kyiv and in eastern oblasts. During Q1'04, expectations of inflation among Ukrainians went down***

During Q1'04, Ukraine's Consumer Confidence Index rose 0.7 points to a new record high of 100.1. An index value of 100 is the "break-even point" and shows that the share of individuals with positive consumer confidence equals the share of those with negative confidence. Consumer confidence improved thanks to an increase in positive economic expectations among Ukrainians: the Index of Economic Expectations (IEE) gained 2.3 points during the quarter and reached 104.4, the highest in the last two years. The highest record for the IEE during the entire history of consumer confidence research in Ukraine was observed in December 2001, when it hit 106.6.

At the same time, the share of the individuals who said their current situation is deteriorating has increased: the Index of the Current Situation (ICS) slipped 1.6 points during the quarter, down to 93.7. This deterioration came after steady growth in this index over five quarters. Most likely, the ICS has entered a period of "stabilization," and it will fluctuate around certain value from now on.

The highest consumer confidence was observed in Kyiv and in the eastern oblasts: their March 2004 CCIs reached 113.9 and 108.7 respectively. These regions turned out to be the only ones in

Ukraine where the share of residents who said their current situation had improved has increased. The ICS jumped 5.4 points, to 117.9 in Kyiv, and 9.4 points, to 106.4, in eastern Ukraine. The CCI in eastern Ukraine has now broken the 100-mark for three quarters in a row, while the IEE for this region hit a new, record-high 108.8 in March, jumping 5.2 points during the quarter.

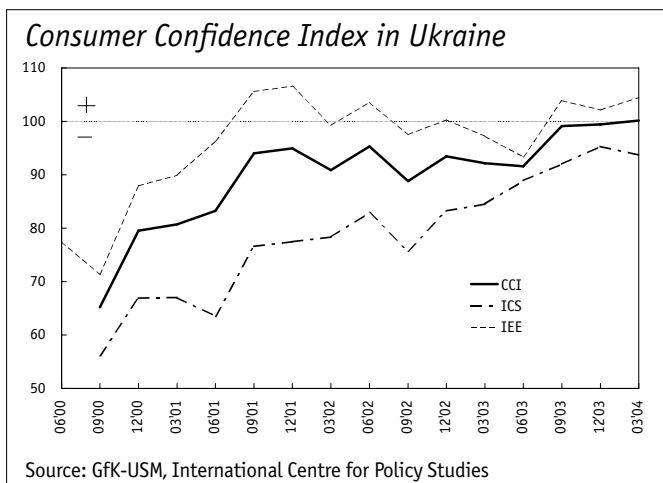
For the first time in the last 12 months, the survey registered a reduction in inflationary expectations among Ukrainians: the Index of Inflationary Expectations (IIE) dropped 7.8 points during the quarter, down to 178.3. This is apparently due to a slowdown in the inflation rate during February and March 2004. However, inflationary expectations remain relatively high, and the March 2004 IIE still exceeds the same index for March 2003 by 2.7 points.

Confidence improved among consumers with average and below-average incomes. Meanwhile, consumers with average incomes turned out to be the only ones who felt an improvement of current situation: their ICS rose 2.6 points, to 94—a new record high.

During Q1'04, consumer confidence deteriorated in the countryside: this CCI dropped 3.6 points, to 95.8. At the same time, the CCI in large cities reached a new record high of 112.4 and has now exceeded the 100-mark for three consecutive quarters. Such a gap between the indices of urban and rural areas indicates that the current economic boom, which has mainly been caused by a rapid industrial upturn, has had a positive impact predominately on the residents of large cities.

The survey revealed that the share of optimists has increased the most among young people, those aged 15–30: their CCI jumped 6.3 points, to a new record high of 119.1. The young also expect the level of unemployment to decline nationally in the next while, and their Index of Expected Changes in Unemployment (IECU) dropped by 9.3 points during the quarter, to 98.9. At the same time, among older citizens, aged 46–59, consumer confidence has deteriorated for two consecutive quarters. In March, their CCI was only 76.6 points, a further 4.6 points lower than in December 2003. This situation obviously reflects the fact that a significant number of older people in Ukraine reside in the countryside, where consumer confidence deteriorated during the first quarter. ■

*If you wish to receive the Consumer Confidence bulletin, with detailed analysis of the CCI index in Ukraine, contact Maksym Korepanov at tel.: (380-44) 236-5464, 236-4477, or e-mail: [marketing@icps.kiev.ua](mailto:marketing@icps.kiev.ua). You can also order ICPS publications through the Centre's web-site, at <http://www.icps.com.ua/eng/subscribe/>*



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